

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 OIC-02

/093 W

----- 039781

R 011500Z AUG 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6128

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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EO 11652: NA

TAGS: ECIN, EIND, EGEN

SUBJ: ANDEAN PACT: INDUSTRIAL PROGRAM NEGOTIATIONS

REF: A. LIMA 4307; B. LIMA 5604

1. COMMISSION MEETING WAS SUSPENDED JULY 25 AND WILL BE RESUMED AUGUST 12. COLOMBIA AND VENEZUELA OVERCAME THEIR DISAGREEMENT OVER THE PETROCHEMICAL PROGRAM, BUT CHILE CREATED A NEW PROBLEM BY INSISTING ON A COMMON EXTERNAL TARIFF LIMITED TO BETWEEN 10 AND 20 PERCENT. THIS IS ABOUT HALF THE RATE PROPOSED BY THE JUNTA.

2. DESPITE THIS SETBACK, IT APPEARS THAT THE SIX COUNTRIES ARE VERY CLOSE TO AGREEMENT ON THE PETROCHEMICAL PROGRAM. SOME ADJUSTMENT MAY BE MADE IN THE TARIFF STRUCTURE. IN
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ANY CASE, CHILE IS UNLIKELY TO USE ITS VETO POWER. THE

OTHER FIVE COUNTRIES ALREADY SIGNED A STATEMENT OF AGREEMENT IN PRINCIPLE ON THE BASIS OF THE JUNTA PROPOSAL AS MODIFIED IN MAY (SEE REFTEL A.).

3. THE AUTOMOTIVE PROPOSAL WAS HARDLY EVEN DISCUSSED BY THE COMMISSION, HOWEVER, TECHNICAL EXPERTS FROM THE SIX COUNTRIES ARE CURRENTLY IN SESSION IN LIMA TO WORK ON THE VARIOUS PROBLEMS. THE OUTLOOK IS DIM. THE SHARE OF MARKET ASPIRATIONS OF THE VARIOUS COUNTRIES ARE INCOMPATIBLE. ACCORDING TO A SOURCE IN THE JUNTA, MORE EMPHASIS MAY NOW BE PLACED ON THE MANUFACTURE OF PARTS AND COMPONENTS AND ON CO-PRODUCTION AGREEMENTS (SEE REFTEL B.).

4. THE COLOMBIAN COMMERICAL ATTACHE TOLD EMBOFF THAT MOST LIKELY ONLY THE PETROCHEMICAL PROGRAM WILL BE APPROVED AT NEXT COMMISSION MEETING. A LAWYER IN THE PERUVIAN INTEGRATION OFFICE, ON THE OTHER HAND, INDICATED TO EMBOFF THAT THE PETROCHEMICAL AND AUTOMOTIVE PROGRAMS MUST BE SIGNED AT THE SAME TIME. PERU SEEMS TO BE DETERMINED TO SLOW DOWN THE ENTIRE INTEGRATION PROCESS UNLESS SUBSTANTIAL PROGRESS IS MADE IN INDUSTRIAL PROGRAMMING. IT IS, IN FACT, THE ONLY COUNTRY WHICH HAS NOT RATIFIED DECISION 46 ON ANDEAN MULTINATIONAL ENTERPRISES. THIS TYPE OF RECALCITRANCE IS RESENTED BY THE OTHER MEMBER COUNTRIES.

5. MORALE AT THE JUNTA IS RATHER LOW. PREDICTIONS ABOUT THE OUTCOME OF THE AUGUST 12 COMMISSION MEETING ARE THEREFORE GENERALLY PESSIMISTIC.
DEAN

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